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NEWS RELEASE

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**SEVEN DEFENDANTS INDICTED AS PART OF MULTI-MILLION DOLLAR
SCHEME TO DEFRAUD THE UNEMPLOYMENT INSURANCE SYSTEM**

SACRAMENTO - United States Attorney McGregor W. Scott announced today that five of seven defendants were arraigned in federal court yesterday and today. On July 19, 2007, a federal grand jury indicted JOSE LUIS MORALES, JUAN MORALES, ENRIQUE MORALES, TERESA MARIA MORALES, PETRA PRECIADO MORALES, EDER MARTINEZ RIOS, and EDGAR MARTINEZ RIOS on charges of mail fraud arising out of a \$2 million fraud scheme against the California Employment Development Department (EDD). All seven are from the Gonzales and Salinas areas, in Monterey County, California. All but EDER and EDGAR MARTINEZ RIOS were arrested yesterday in Monterey County.

The prosecutions are the product of an extensive joint investigation conducted by California Employment Development Department Criminal Investigations Division, the United States Postal Inspection Service, and the Gonzales Police Department, with assistance from the Soledad Police Department and the Monterey County Sheriff's Department.

According to Assistant United States Attorney Matthew Stegman, who is prosecuting the case, the indictment charges that from November 1999 to October 2004, the defendants conspired to defraud EDD of millions of dollars by filing over 900 false unemployment insurance

claims with EDD. According to the indictment, the defendants fraudulently acquired employees' identities, which included names and social security numbers. Using that fraudulently acquired information, the defendants then filed false claims with EDD and had the fraudulent unemployment checks sent to numerous post office boxes and other addresses that they controlled.

"The United States Postal Inspection Service will continue to work with our partners in law enforcement and the United States Attorney's Office to investigate and prosecute individuals who misuse our nation's mail system," said Postal Inspector in Charge R. J. Verrochio.

After detention hearings held yesterday and today, United States Magistrate Judge Kimberly J. Mueller ordered the defendants released on \$100,000 bond, with the exception of JUAN MORALES, whose bond was set at \$50,000.

If convicted of all counts, the maximum penalty in the indictment is twenty years in prison and a \$250,000 fine. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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